

1995-96 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
- 05hrAC-EdR\_RCP\_pt01b
- 05hrAC-EdR\_RCP\_pt02

➤ Appointments ... Appt

➤ \*\*

➤ Clearinghouse Rules ... CRule

➤ \*\*

➤ Committee Hearings ... CH

➤ \*\*

➤ Committee Reports ... CR

➤ \*\*

➤ Executive Sessions ... ES

➤ \*\*

➤ Hearing Records ... HR

➤ \*\*

➤ Miscellaneous ... Misc

➤ 95hrJC-Fi\_Misc\_pt21

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

# State of Wisconsin

SENATE CHAIR  
JOE LEEAN

Room 119 South, State Capitol  
P.O. Bo 7882  
Madison, WI 53707-7882  
Phone: 266-0751



ASSEMBLY CHAIR  
BARBARA J. LINTON

Room 127 South, State Capitol  
P.O. Bo 8952  
Madison, WI 53708-8952  
Phone: 266-7690

## JOINT COMMITTEE ON FINANCE

July 18, 1994

Secretary James R. Klauser  
Department of Administration  
101 East Wilson Street, 10th Floor  
Madison, WI 53702

Dear Secretary Klauser:

On June 24, 1994, your memorandum recommending approval of a 0.5 PR project position in 1994-95 for the Department of Corrections funded from the appropriation under 20.410 (1)(kx) was submitted to the Joint Committee on Finance for its approval by July 18, 1994. The position is requested for continuation of a county jail pharmacy supply pilot program currently being conducted with Dane County.

State agencies have general statutory authority to enter into service contracts with county governments. While this would allow Corrections to agree to a cooperative purchasing agreement to provide pharmaceuticals to county jails, Corrections does not appear to have the specific statutory authority to receive and expend funds from local units of government for this purpose. While assisting local governments to reduce costs is a laudable goal, it is not clear that the Department has the legal authority to conduct this program. Thus, the specific request is not properly before the Committee at this time and therefore, cannot be approved.

Secretary James R. Klauser  
July 18, 1994  
Page 2

We believe that the Department of Corrections and your office should return to the Committee with a report that addresses the following:

1. Its interpretation of the legal issue raised in this letter; and
2. Its plans to expand the program in order that other counties may also benefit from the cost savings that are currently being realized by Dane County.

Finally, the Committee has no objections to the s. 16.505/515(2) requests for the Educational Communications Board and the Department of Justice. Thus, these items are approved.



JOE LEEAN  
Senate Chair

Sincerely,



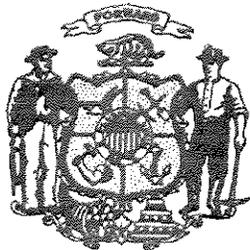
BARBARA J. LINTON  
Assembly Chair

cc: Members, Joint Committee on Finance  
Secretary Sullivan

# State of Wisconsin

SENATE CHAIR  
JOE LEEAN

Room 119 South, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: 266-0751



ASSEMBLY CHAIR  
BARBARA J. LINTON

Room 127 South, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: 266-7690

## JOINT COMMITTEE ON FINANCE

June 24, 1994

TO: JOINT COMMITTEE ON FINANCE MEMBERS

FROM: Senator Joe Leean  
Representative Barbara J. Linton  
Co-Chair, Joint Committee on Finance

Attached is a copy of requests from the Department of Administration dated June 24, 1994 pertaining to requests from the Educational Communications Board, the Department of Corrections and the Department of Justice.

Please review these items and notify Senator Leean's office not later than Tuesday, July 12, 1994 if you have any concerns about the requests or would like the Committee to meet formally to consider them.

Also, please contact us if you need additional information.

JL:BJL:ns

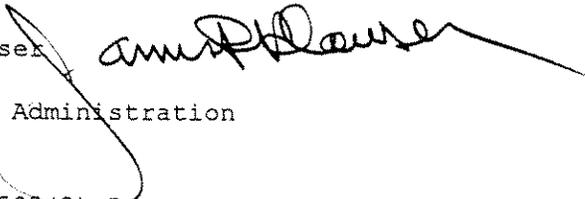
Attachments

## CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN  
Department of Administration

Date: June 24, 1994

To: Honorable Joseph Leraan, Co-Chair  
Honorable Barbara J. Linton, Co-Chair

From: James R. Klausner   
Secretary  
Department of Administration

Subject: s. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1993-94</u>		<u>1994-95</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
E.C.B. 20.225(1)(g)	Instructional T.V. Programs				1.0
D.O.C. 20.410(1)(kx)	Inter & Intra-agency Programs				0.5
D.O.J. 20.455(1)(km)	Inter & Intra-agency \$ Assistance	8,600		\$ 8,500	

As provided in s. 16.515, this request will be approved on July 18, 1994, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Roger Grossman at 266-1072, or the analyst who approved the request in the Division of State Executive Budget and Planning, if you have any additional questions.

Attachments:

**CORRESPONDENCE MEMORANDUM****STATE OF WISCONSIN  
Department of Administration**

*Date:* June 15, 1994

*To:* James R. Klauser, Secretary  
Department of Administration

*From:* Orlando Canto  
Education Team



*Subject:* S. 16.505 Request for the Educational Communications Board (ECB)

**Request:**

Under the statutory provisions of s. 16.505 the Educational Communications Board is requesting an increase of 1.0 PR Administrative Assistant 5 position in appropriation s. 20.225 (1)(g). This appropriation is a continuing appropriation and increased expenditure authority is not needed.

**Analysis:**

1993 Wisconsin Act 437 modified statutory language requiring ECB to spend \$140,200 to produce Wisconsin Instructional TV programs. The statutory modification kept the requirement that ECB spend at least \$140,200, but it allowed ECB to meet this requirement with funds from several specified appropriations, rather than just one as originally authorized.

In making the statutory revision to implement this modification, Act 437 inadvertently deleted a staff position. The statutory provisions should have transferred the position authority to another appropriation. This request recreates the staff position that was deleted and locates it in appropriation s. 225 (1)(g).

**Recommendation:**

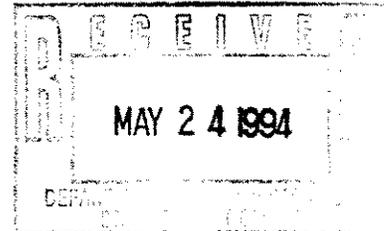
Approve the request for 1.0 PR Administrative Assistant 5 position in appropriation s. 20.225 (1)(g). The intent of the statutory modification, enacted in Wisconsin Act 437, was not to eliminate this position, but rather to give ECB the flexibility to fund Wisconsin Instructional TV programs and the position from several different revenue sources. ECB has sufficient revenues in this appropriation to absorb the cost of this position and requires no additional expenditure authority.



MEMORANDUM

GLENN A. DAVISON, EXECUTIVE DIRECTOR

DATE: May 24, 1994  
TO: Orlando Canto  
FROM: Ted Tobie *A*  
SUBJECT: 16.505 Request



The Educational Communications Board is requesting an increase of \$43,700 and 1.0 FTE in appropriation 131 for the continuation of the position responsible for the production of Wisconsin based instructional television programs.

As you are aware, in modifying the language created to produce Wisconsin instructional programming, the 1994 budget adjustment bill eliminated both the \$140,200 in instructional television funding and the program production position from appropriation 132. As we discussed earlier, our original intent was to have the funding language changed to allow for the distribution of the program costs among several appropriations. However, it was not our intent to eliminate the position, but rather have it transferred to appropriation 131. Both you and David Suchman agreed that the position was deleted inadvertently and therefore this request should be considered as a technical adjustment.

This request includes:

ITEM	AMOUNT
Admin. Asst. 5 Salary	\$32,600
Fringe	<u>11,100</u>
TOTAL	\$43,700

The current position expires June 30, 1994. Please include this request in the next available round of 16.505 requests. Your help in this matter is appreciated. If you should have any questions regarding this matter, please contact me at 264-9667.

cc: Glenn Davison

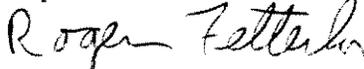
orlando.doc

**CORRESPONDENCE/MEMORANDUM**

**STATE OF WISCONSIN  
Department of Administration**

Date: June 20, 1994

To: James R. Klauser, Secretary  
Department of Administration



From: Roger Fetterly, Budget Analyst  
Division of State Executive Budget and Planning

Subject: S. 16.505/16.515 Request from the Department of Corrections

REQUEST

The Department of Corrections (DOC) requests an increase in expenditure authority of \$3,700 PRS and a 0.50 PRS FTE position in FY95 in appropriation 20.410(1)(kx), Interagency and Intra-agency Programs, Numeric Appropriation 167, for the County Jail Pharmacy program.

BACKGROUND

DOC has had a contract with the Dane County Jail for the past year to provide prepackaged medication from DOC's central pharmacy for prisoners in the county jail. The county reimburses DOC for the cost of medicine, packaging, distribution and the labor involved in providing the service. A half-time limited term employe (LTE) packages the medications and administers the program.

Because DOC has the advantage of purchasing pharmaceuticals in large volume through a multi-state purchasing consortium it receives a substantial discount which it passes on to the county. The Dane County Jail estimates that it has experienced a cost savings of 58% for pharmaceuticals between FY93 and FY94 due to this program.

ANALYSIS

DOC is requesting an increase in expenditure and position authority for a 0.5 FTE Pharmacy Technician 1 to replace the LTE who is currently administering the program and is approaching the end of his LTE term.

Additional expenditure authority will not be required for appropriation 20.410(1)(kx) because it is a continuing appropriation and all funds received can be allocated by the Department of Administration for the purposes specified. The following is the additional allocation needed to convert from an LTE to a permanent position:

Fringe Benefits	\$2,200
Supplies & Services	1,400
Internal Services	<u>100</u>
	\$3,700

James R. Klauser  
June 20, 1994  
Page 2

The addition of a part-time position to replace the terminating LTE should be beneficial to both DOC and Dane County because of the continuity it will provide and the lower cost to maintain both state and county inmates in the county jail.

As an alternative, this position could be authorized as a 3-year project position until June 30, 1997, when it could be reviewed in the 1997-99 Biennial Budget. Since this is a pilot program, it should be evaluated over the next 3 years to determine its efficiency and the desirability of allowing DOC to expand this service to other county jails.

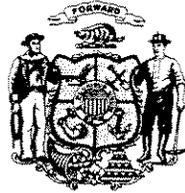
A review of DOC's vacant position list indicates that no positions are available for reallocation for this purpose.

RECOMMENDATION

Approve an increase of a 0.5 PRS FTE project position in appropriation 20.410(1)(kx) to terminate on June 30, 1997, for the County Jail Pharmacy Program.

Tommy G. Thompson  
Governor

Michael J. Sullivan  
Secretary



Mailing Address  
149 East Wilson Street  
Post Office Box 7925  
Madison, WI 53707-7925  
Telephone (608) 266-2471

## State of Wisconsin Department of Corrections

---

June 2, 1994

TO: James R. Klauser, Secretary  
Department of Administration

FROM: Michael J. Sullivan, Secretary  
Department of Corrections

SUBJECT: S. 16.505/16.515 Request for Appropriation 20.410(1) (kx)  
Interagency & Intra-agency Programs, Number Appr. 167  
County Jail Pharmacy Program, Project 524

The pilot program to supply pre-packaged medication to the Dane County Jail from the Department of Corrections' (DOC) Central Pharmacy has been a success. Both Dane County and DOC would like to continue the program. The Department is, therefore, requesting an increase in expenditure authority of \$3,700 and a 0.50 FTE program revenue funded position to make the LTE position that supports the program a permanent position.

### Background and Program Highlights

Approximately a year ago, the Dane County Jail contracted with the Department of Corrections to supply them with prepackaged medications for prisoners in the county jail. The county reimburses DOC the cost of the medicine, the package and the labor involved in dispensing the medication. Because DOC purchases medications in volume and through a multi-state purchasing consortium, it is able to obtain pharmaceuticals at discounted rates and pass that discount on to the county. The Dane County Jail estimates that it has experienced a 58% savings in medication costs between FY 1993 and FY 1994 due to this program. Both DOC and Dane County are pleased with the program and would like to continue it.

Requested Expenditure Authority

The half-time limited term employee (LTE) at DOC's State Central Pharmacy who packages the medication for Dane County is coming to the end of his term. To continue this program, the department is requesting a 0.50 FTE position and the program revenue expenditure authority to make this position a permanent, half-time Pharmacy Technician 1. The amounts needed are as follows:

Fringe Benefits	\$2,200
Supplies & Services	1,400
Internal Services	100
	<hr/>
TOTAL	\$3,700

This memorandum includes four attachments. The first is a summary of changes to Appropriation 20.410(1)(kx). This appropriation serves as a "pass through" account for the County Jail Pharmacy Program as well as for other reimbursement contracts and grants. The department records program expenses and subsequently bills for the actual costs. The second attachment shows the revenues and expenses of the program itself. The third gives a more detailed explanation of the expenditure authority request. The final attachment is a letter from the commander of the Dane County Jail.

Please call me or call Mary Cassady in DOC's Office of Budget and Planning at 267-0930 if you have any questions about this request.

cc: Ave M. Bie  
Ronald Malone  
Roger Fetterly  
Pamela Brandon  
Terri Landwehr  
Sharon Zunker  
Mary Cassady  
Robert Cohen

DEPARTMENT OF CORRECTIONS  
 APPROPRIATION 20.410(1) (KX)  
 SUMMARY OF CHANGES

06-Jun-94

<u>REVENUE</u>	FY 94	FY 95
Opening Balance	(\$232,713.76)	\$0.00
Revenue Year-to-Date 4/30/94	\$681,304.43	n/a
Add'l Revenue Project to 6/30	\$797,855.33	\$861,300.00
	-----	-----
Total Net Revenue	\$1,246,446.00	\$861,300.00
<u>&lt;Less&gt; EXPENDITURES</u>		
Expenditures Year-to-Date 4/30/94	\$772,080.60	n/a
Add'l Expenditures Projected to 6/30	\$474,365.40	\$857,600.00
Prior S. 16.505 Request (8/93)*	\$0.00	\$0.00
Requested S. 16.505/16.515 Supplement	\$0.00	\$3,700.00
	-----	-----
Total Expenditures	\$1,246,446.00	\$861,300.00
PROGRAM REVENUE BALANCE	\$0.00	\$0.00
<u>EXPENDITURE AUTHORITY</u>		
Chapter 20	\$830,400.00	\$857,600.00
Encumbrances from Prior Year	\$45,747.08	\$0.00
Re-estimates of Rev. & Exp. (YTD)	\$370,298.92	\$0.00
S. 16.505 Request (8/93)*	\$0.00	\$0.00
	-----	-----
Total Expenditure Authority	\$1,246,446.00	\$857,600.00
Requested Add'l Expenditure Authority	\$0.00	\$3,700.00

\* NOTE: In August, the department requested and received a 0.25 FTE project position. The position was added to 0.75 existing FTE to create a whole position. The funding for the position was provided by the Victims of Crime Act (VOCA) through the U.S. Department of Justice. No additional expenditure authority was requested at that time. However, the Bureau of Fiscal Services has regularly re-estimated the amount of program revenue as more information has become available about various grants and reimbursement contracts.

DEPARTMENT OF CORRECTIONS  
 BUREAU OF HEALTH SERVICES  
 COUNTY JAIL PHARMACY PROGRAM HISTORY\*

06-Jun-94

	REVENUES	EXPENDITURES	BALANCE
<u>FY 1993 FINAL</u>			
3rd Quarter	\$0.00	\$0.00	\$0.00
4th Quarter	\$0.00	\$1,197.81	(\$1,197.81)
Annual Subtotal	----- \$0.00	----- \$1,197.81	----- (\$1,197.81)
<u>FY 1994 YEAR-TO-DATE</u>			
1st Quarter	\$1,197.81	\$7,610.02	(\$6,412.21)
2nd Quarter	\$13,882.25	\$14,243.91	(\$361.66)
3rd Quarter	\$11,159.71	\$11,870.14	(\$710.43)
Month of April	\$6,607.52	\$4,017.29	\$2,590.23
Annual Subtotal	----- \$32,847.29	----- \$37,741.36	----- (\$4,894.07)
Running Total	----- \$32,847.29	----- \$38,939.17	----- (\$6,091.88)

\*Project 524, Responsibility Area 706, County Drug Program.

Prepared by: Keene Winters  
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DEPARTMENT OF CORRECTIONS  
 BUREAU OF HEALTH SERVICES  
 COUNTY JAIL PHARMACY PROGRAM  
 EXPENDITURE AUTHORITY SUMMARY

06-Jun-94

LINE ITEM	PROPOSED EXPENDITURE AUTHORITY	<LESS> EXISTING EXPENDITURE AUTHORITY**	NET EXPENDITURE AUTHORITY REQUESTED
Salaries	\$7,830.00	\$7,830.00	\$0.00
Turnover*	\$0.00	\$0.00	\$0.00
Fringe Benefits	\$2,800.00	\$600.00	\$2,200.00
Supplies & Services	\$1,400.00	\$0.00	\$1,400.00
Variable Non-Food	\$41,600.00	\$41,600.00	\$0.00
Internal Services	\$100.00	\$0.00	\$100.00
TOTAL	----- \$53,730.00	----- \$50,030.00	----- \$3,700.00

\*Appropriation 167 funds less than 40 FTE. The current position authority includes 15.00 permanent FTE and 0.25 project FTE.

\*\* Existing expenditure authority per operating budget as reported in Responsibility Area - Account Detail report (FMS Report 30300) for the month ending 4/30/94.

Prepared by: Keene Winters

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SHERIFF RICHARD F. RAEMISCH

# DANE COUNTY SHERIFF DEPARTMENT



STEPHEN S. NOLAN, Chief Deputy  
(608) 266-4929

JOHN VAN DINTER  
Captain, Executive Services  
(608) 266-4584

JOSEPH TOPP  
Captain, Field Services  
(608) 267-4131

DAVID LISTUG  
Captain, Security Services  
(608) 266-9081

MICHAEL PLUMER  
Captain, Support Services  
(608) 266-4044

June 1, 1994

Terri L. Landwehr, Administrator  
Division of Program Services  
State of Wisconsin  
Department of Corrections  
149 East Wilson Street  
Madison, WI 53707-7925

Subject: Pharmacy Services Agreement with Dane County Jail

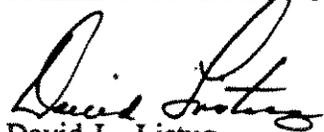
Dear Administrator Landwehr:

I just completed an analysis on the cost of providing pharmaceuticals to prisoners in the Dane County Jail. The results, I believe, speak plainly and clearly to the fact this program is an outstanding success. I compared the cost of the first 4 months of 1993 where a private vendor provided pharmaceutical services to the first 4 months of 1994 where DOC provides the pharmaceutical needs of the jail under a pharmaceutical agreement. The pharmaceutical cost for 1994 is 58% less than the same time period in 1993. In 1993 the cost per average daily population (adp) prisoner was \$11.15 and the 1994 cost of \$4.71 per adp.

I would like to express my thanks to you and your staff for creating what I believe to be the most successful program of its type in the United States. This is a fine example of cooperation where the State of Wisconsin has provide true budget relief despite the fact that the jail population was approximately 12% over the 1993 level. Sharon Zunker and Bob Cohen deserve thanks for the hard work and effort they did to get the program up and running. Without their dedication this effort would not have occurred.

Sincerely,

RICHARD F. RAEMISCH  
SHERIFF OF DANE COUNTY

  
David L. Listug  
Captain, Security Services

c: Bob Cohen

**CORRESPONDENCE/MEMORANDUM**STATE OF WISCONSIN  
Department of Administration

*Date:* June 20, 1994

*To:* James R. Klauser, Secretary  
Department of Administration

*From:* Gina Frank-Reece, Policy and Budget Analyst  
State Budget Office



*Subject:* s. 16.505/515 request from the Department of Justice relating to increased expenditure authority for attorney salary costs to be funded by the Department of Transportation.

**REQUEST**

The Department of Justice (DOJ) requests increased PRS expenditure authority of \$8,600 PRS in FY94 and \$8,500 PRS in FY95 under s. 20.455(1)(km), Interagency and intra-agency assistance appropriation, to cover the additional salary costs associated with the new attorneys collective bargaining agreement. Funding for the attorney salary increase will be provided from DOT SEG funds under s. 20.395(4)(aq).

**BACKGROUND**

In December, 1991, the Department of Justice and the Department of Transportation signed an interagency agreement in which DOT would provide \$100,000 annually for DOJ legal services to handle condemnation of property cases associated with DOT highway improvement projects. On January 2, 1992, the Joint Finance Committee authorized position and PRS expenditure authority which would enable DOJ to fund one full-time attorney position and one half-time Legal Secretary position under s.20.455(1)(km). The Department's 1993-95 biennial budget provided for \$111,400 PRS in FY94 and \$111,500 PRS in FY95 to fully fund the cost of the legal services provided by DOJ to DOT under the agreement.

**ANALYSIS**

In February, 1994, the interagency agreement was amended (see attached) to increase the annual funding to \$120,000. This adjustment was required to reflect the salary increase for the attorney position as a result of the new attorneys collective bargaining agreement. Additional spending authority required under appropriation s. 20.455(1)(km) totals \$8,600 in FY94 and \$8,500 in FY95:

	<u>FY94</u>	<u>FY95</u>
Salaries (includes adjusted attorney salary)	86,100	86,100
Fringe Benefits	25,500	25,500
Supplies & Services	<u>8,400</u>	<u>8,400</u>
Total Budget	\$120,000	\$120,000
20.455(1)(km) expenditure authority	<u>111,400</u>	<u>111,500</u>
<b>Additional funding required</b>	<b>\$ 8,600</b>	<b>\$ 8,500</b>

The additional spending authority would be allocated to the salary line in order to fund the increased attorney salary costs associated with the attorneys new collective bargaining agreement.

#### **RECOMMENDATION**

Approve increased expenditure authority of \$8,600 PRS in FY94 and \$8,500 PRS in appropriation 20.455(1)(km) to fund the additional attorney salary costs associated with the new attorneys collective bargaining agreement.



## Wisconsin Department of Transportation

Tommy G. Thompson  
Governor

Charles H. Thompson  
Secretary

OFFICE OF GENERAL COUNSEL  
P. O. Box 7910  
Madison, WI 53707-7910

January 18, 1994

Robert A. Selk, Administrator  
Division of Legal Services  
Department of Justice  
123 West Washington Avenue  
P.O. Box 7857  
Madison, WI 53707-7857

Dear Mr. Selk:

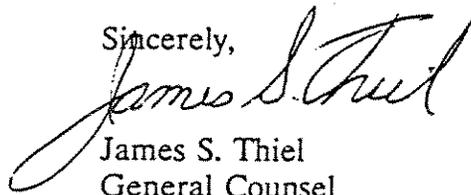
We met on January 10, 1994 to review the general estimates of time DOJ attorneys and paralegals devoted to DOT legal services during fiscal year 1993. We reconciled the expenditures of the \$100,000 DOT grant<sup>1</sup> to DOJ for legal services with these general estimates.

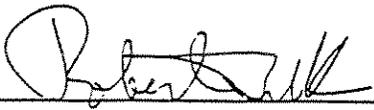
In light of these considerations, and as required by paragraph III. F. of the DOT grant agreement, we reevaluated the grant and determined the agreement should be continued and the amount of funding should be increased to reflect the new attorneys collective bargaining agreement. We agreed to amend paragraph III. E. 5) of the DOT grant agreement to read as follows:

"5) Total annual payment under this supplementary agreement shall not exceed ~~\$100,000~~ \$120,000."

Please acknowledge your acceptance of this amendment by endorsing and returning a copy of this letter to me. I will process the necessary paperwork for the next payment due at the end of this fiscal year.

Sincerely,

  
James S. Thiel  
General Counsel

Amendment accepted:  ; Date: 2.3.94

<sup>1</sup> "Agreement - Wisconsin Department of Transportation and Wisconsin Department of Justice - Supplementary Funding for Legal Services" dated 12/4/91.

Date: May 13, 1994

To: Regina Frank Reece  
Department of Administration

From: Andrew Cohn  
Department of Justice

Subject: REQUEST UNDER S. 16.515



18 001

Under the authority of sec. 16.515, Wis. Stat., the Department of Justice requests increases in the appropriation under sec. 20.455(1)(km)--\$8,600 for FY 1994 and \$8,500 for FY 1995. These increases will enable us to spend additional amounts which the Department of Transportation has agreed to pay for legal services which we provide for highway improvement projects.

#### Background

On December 4, 1991, Attorney General Doyle and Transportation Secretary Fiedler signed an interagency agreement under which DOT was to provide \$100,000 annually for 1.5 FTE positions assigned to highway improvement legal work. This agreement recognized that DOJ needed more staff to provide more timely legal support, to help avoid delays in project construction and increased project costs. Moneys from the Transportation Fund under sec. 20.395(4)(aq) have been paid by DOT, to cover costs incurred by DOJ in our PR-S appropriation under sec. 20.455(1)(km). In December, 1991 the Department submitted a request under sec. 16.505 and 16.515, Wis. Stat., for position and spending authority, which was approved by the Department of Administration and the Joint Committee on Finance. Position and spending authority provided for in that approval were subsequently built into the B-2 system through the 1993-95 budget process.

#### Analysis

Section III. F. of the interagency agreement (attached) provided for the periodic reevaluation of this arrangement. Correspondence dated January 18, 1994 (attached) shows that our two agencies have determined that "the agreement should be continued and the amount of funding should be increased to reflect the new attorneys collective bargaining agreement." Consequently, the annual payment from DOT is increased from \$100,000 to \$120,000.

A portion of the additional spending authority needed to accommodate this change in the interagency agreement has already been provided via 1993 Wisconsin Act 16. Certain Standard Budget Adjustments incorporated into the 1993-95 budget resulted in spending authority of \$111,400 in FY 1994 and \$111,500 in FY 1995.

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin



Mailing address:  
Post Office Box 7864  
Madison, WI 53707-7864

TOMMY G. THOMPSON  
GOVERNOR  
JAMES R. KLAUSER  
SECRETARY

MAY 13 1994

May 9, 1994

The Honorable Joseph Leraan, Co-Chair  
The Honorable Barbara J. Linton, Co-Chair  
Joint Committee on Finance  
119 South, State Capitol  
Madison, WI 52702

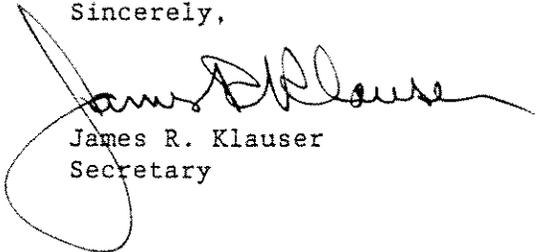
Dear Senator Leraan and Representative Linton:

I appreciate the Committee's review of my April 8, 1994 letter recommending an increase in expenditure authority for the Department of Correction's Badger State Industries for FY94 and FY95.

Your consent to increasing the expenditure authority by \$896,900 PR in FY94 will allow BSI to continue its vital programs without interruption for the remainder of FY94.

For FY95, I concur with the Committee's recommended modification to authorize \$167,700 PR and 2.0 PR positions of the \$448,800 PR and 3.0 PR position increase requested. I do not wish to have a meeting scheduled on this item. However, if the sales and revenue of BSI warrant the need for additional expenditure authority, the Department of Administration may propose another increase during FY95.

Sincerely,



James R. Klauser  
Secretary

# State of Wisconsin

SENATE CHAIR  
JOE LEEAN

Room 119 South, State Capitol  
P.O. Bo 7882  
Madison, WI 53707-7882  
Phone: 266-0751



ASSEMBLY CHAIR  
BARBARA J. LINTON

Room 127 South, State Capitol  
P.O. Bo 8952  
Madison, WI 53708-8952  
Phone: 266-7690

## JOINT COMMITTEE ON FINANCE

May 2, 1994

Secretary James R. Klauser  
Department of Administration  
101 East Wilson, 10th Floor  
Madison, WI 53702

Dear Secretary Klauser:

On April 8, 1994, your memorandum approving \$896,900 PR in 1993-94 and \$448,800 PR and 3.0 PR positions in 1994-95 for the Department of Correction's Badger State Industries program funded from the appropriation under s. 20.410 (1)(km) was submitted to the Joint Committee on Finance for its approval by May 2, 1994.

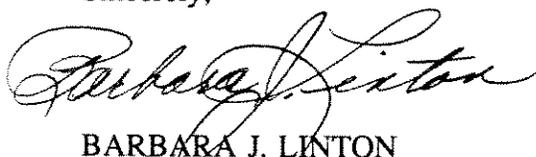
In reviewing this request, concerns have been raised regarding the speculative nature of the projected revenue increases for BSI in 1994-95 and the ability to support all of the requested increased expenditures in that year. In addition, it appears that modifications can be made to the staffing portion of the request based on estimated workload in BSI. Therefore, we have no objection to the request for 1993-94, but would reduce 1994-95 by \$281,100 PR and 1.0 PR position. This would provide \$896,900 PR in 1993-94 and \$167,700 PR and 2.0 PR positions in 1994-95.

The Co-Chairs will therefore approve this request contingent upon the above stated understanding. We will consider that you concur with this condition unless you notify us by May 9, 1994, that you wish us to schedule a meeting of the Committee under s. 13.101 to consider this item.



JOE LEEAN  
Senate Chair

Sincerely,



BARBARA J. LINTON  
Assembly Chair

JL/BJL/ns



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847

April 29, 1994

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Badger State Industries s. 16.505/515 Request

On April 8, 1994, the Department of Administration, acting under s. 16.505/515 recommended an increase of \$896,900 PR in 1993-94 and \$448,800 PR and 3.0 PR positions in 1994-95 for the Badger State Industries program in the Department of Corrections. The increases are requested to fund salaries, materials costs and equipment for BSI. If objections are not raised by the Committee by May 2, 1994, the request will be approved.

### BACKGROUND

In 1993 Act 437 (the 1993-95 budget adjustment legislation), the Legislature increased funding for Badger State Industries by \$278,300 PR in 1993-94 and \$787,400 PR in 1994-95. Funding provided by the Legislature was a reduction of \$896,900 PR in 1993-94 and \$575,500 PR and 3.0 PR positions to that proposed by the Governor. Current expenditure authority for BSI is \$12,750,300 PR in 1993-94 and \$13,548,100 PR in 1994-95. These funding levels represent expected revenue growth of 10% and 7% respectively.

Funding for BSI is generated through the sales of products or services to state or local governments and non-profit agencies. The statutes specify that "[t]he primary goal of prison industries shall be to operate in a profitable manner. Within this goal, inmates employed in prison industries shall be provided with training and work experience that allows them to develop skills necessary to retain employment in outside business and industry." Badger State Industries is allowed to operate with a cash deficit, but that deficit must be offset by the value of accounts receivable, work in progress and the value of BSI equipment and buildings. Department officials indicate that BSI also serves as a means to reduce inmate idleness.

## ANALYSIS

The s. 16.505/515 request currently before the Committee would provide funding for BSI at the level originally proposed by the Governor for 1993-94 and would be \$126,700 PR less in 1994-95 than proposed by the Governor for 1994-95. The s. 16.505/515 request also provides 3.0 PR positions which were requested, but not approved by the Legislature during deliberation on Act 437.

Attachment I indicates the revenues and expenditures, profit or loss, opening and closing cash balance, and unsupported cash overdrafts over the past twenty years. It should be noted that expenditures include debt service costs paid by BSI. In general, the cash deficit of BSI has declined in four of the past five years. However, a cash loss was posted for eight years prior to this period and BSI has not had a positive cash balance since June 30, 1977.

In reviewing Badger State Industries request in the 1993-95 budget adjustment bill (using data through December, 1993) revenues appeared to be relatively flat, although BSI had \$2.7 million in accounts receivable (money owed to BSI for products that were produced and shipped). Based on Corrections assurances that an effort would be made to reduce the accounts receivable, expenditure authority was increased by \$278,300 PR in 1993-94 and \$787,400 PR in 1994-95.

Since that time, BSI has reduced its accounts receivable by over \$1 million and indicates that by June 30, 1994, another \$1 million will be collected leaving a projected accounts receivable balance of \$700,000. If the accounts receivable are reduced to this level and income from current operations remains strong, revenues would be sufficient to support the requested expenditures in 1993-94. However, reducing accounts receivable to this level will be difficult since current billings would be expected to exceed \$700,000 at any given time. If BSI is unable to make this reduction, revenues in 1993-94 would not support requested expenditure authority.

The Department estimates that by the end of 1993-94 total receipts will be \$13,999,700. Of the estimated revenue, \$2.2 million would be the result of decreases to accounts receivable with actual cash generated from operations in 1993-94 at approximately \$12.0 million. For 1994-95, BSI estimates cash collections of \$14.5 million or a 21% increase over 1993-94 (with accounts receivable remaining at the \$700,000 level). Corrections has indicated that it is in the process of reassessing revenues for 1994-95.

Corrections is requesting increased expenditure authority for 3.0 PR permanent positions (two financial specialists and a program assistant), limited-term employees (LTEs), materials and supplies for manufacturing and for equipment replacement. Funding would be divided as follows:

	<u>1993-94</u>	<u>1994-95</u>
Permanent Positions	\$0	\$81,800
LTEs	278,400	108,100
Materials and Supplies	516,500	108,900
Equipment	<u>102,000</u>	<u>150,000</u>
Total	\$896,900	\$448,800

Achieving the Department's revenue projections for 1993-94 appears to be feasible, if BSI is able to reduce its accounts receivable to \$700,000 by the end of the fiscal year. Increased revenues for 1994-95, however, are more speculative. Therefore, the Committee could modify the Department's request for 1994-95 and review the funding for that year at a later time when better information is available.

The following points should be noted with regard to the requested increase in expenditure authority:

- BSI does not currently have funding allotted for LTEs in 1993-94. However, funds from permanent salaries have been reallocated to fund these positions. Current expenditures for permanent salaries will not support continued funding of the LTEs. The seven LTE positions currently funded (1.0 in metal furniture, 1.0 as a delivery driver, 1.0 in laundry and textiles, 2.0 systems furniture installers, 1.0 in computer design and 1.0 in plastic wood products manufacturing) would continue to be funded under the Department's request.
- Equipment purchases in 1993-94 (metal furniture shears, tooling and punch press, silk screen stretcher, and furniture sander) would replace old equipment.
- The Department indicates that it has been using LTEs in its administrative section for at least the last two years for bill processing and order entry. Workload increases in these areas would appear to justify one additional financial specialist position, rather than the two requested. As a result, 1.0 PR financial specialist position and funding of \$28,600 could be eliminated. BSI has had an administrative officer position vacant for 30 months which could be used for the remaining position. However, the Department has indicated that it recently converted this position to an order expeditor and is in the recruitment process.
- The requested program assistant position would replace LTEs and inmate labor that has been used for this function for the past two years. The position would provide clerical support and assist with courier, inmate labor coordination and receptionist duties.

- Since increased revenues for 1994-95 are speculative, funding of \$252,500 PR for materials, supplies and equipment could be eliminated at this time.

Through April 22, 1994, BSI has expended \$9.6 million. Total annual expenditures would be approximately \$12 million if BSI continued expenditures at the same rate, well within the \$12.9 million budgeted in 1993-94. Therefore, if the Committee were to deny the request, BSI would have sufficient authority to support current operations. However, the Department has indicated that if the request were not approved delays in production of some large orders for delivery early in 1994-95 could occur.

## **SUMMARY**

The Department of Corrections is requesting an increase of \$896,900 PR in 1993-94 and \$448,800 PR and 3.0 PR positions in 1994-95 for the Badger State Industries to fund salaries, materials costs and equipment for BSI. With aggressive collection of accounts receivable and continued strong production, BSI revenue projections for 1993-94 would support the requested increase. However, revenue increases in 1994-95 are more speculative and, therefore, expenditure authority requested could be modified. These modifications would be to provide expenditure authority for one financial specialist, one program assistant and LTE salaries. The result of the modifications would be approval of an increase of \$896,900 PR in 1993-94 (as requested) and \$167,700 PR and 2.0 PR positions in 1994-95 for Badger State Industries. Total expenditure authority for BSI would be \$13,855,300 in 1993-94 and \$13,842,500 PR in 1994-95. If additional expenditure authority is not provided, BSI operations would continue at current levels.

BL/JR/dls

# ATTACHMENT I

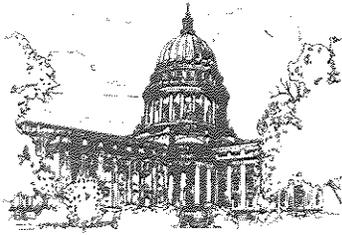
## SUMMARY OF CORRECTIONS INDUSTRIES REVENUES AND EXPENDITURES SINCE 1975 - 76

	<u>OPENING</u>	<u>PERCENT</u>	<u>EXPENDITURES</u>	<u>PERCENT</u>	<u>PROFIT</u>	<u>CLOSING CASH</u>	<u>UNSUPPORTED</u>
	<u>CASH BALANCE</u>	<u>CHANGE</u>		<u>CHANGE</u>	<u>OR LOSS</u>	<u>BALANCE</u>	<u>CASH OVERDRAFT</u>
1975-76	\$296,540		\$2,172,699		\$43,628	\$385,168	\$0
1976-77	385,168	-18.3%	2,150,650	-1.0%	-339,810	45,358	0
1977-78	45,358	85.8%	3,937,128	83.1%	-573,179	-527,821	0
1978-79	-527,821	27.9%	5,654,688	43.6%	-1,353,479	-1,881,300	0
1979-80	-1,881,300	16.4%	4,994,142	-11.7%	10,623	-1,870,677	\$546,100
1980-81	-1,870,677	-32.7%	3,706,799	-25.8%	-337,836	-2,208,513	435,700 **
1981-82	-2,208,513	-10.0%	4,604,435	24.2%	-1,572,952	-3,781,465	445,372 ***
1982-83	-3,781,465	0.7%	3,774,557	-18.0%	-720,539	-4,502,004	1,024,153
1983-84	-4,502,004	35.1%	4,238,391	12.3%	-112,530	-4,614,534	1,446,807
1984-85	-4,614,534	34.1%	5,682,029	34.1%	-149,808	-4,764,342	1,107,242
1985-86	-4,764,342	21.1%	7,018,537	23.5%	-316,922	-5,081,264	855,775
1986-87	-5,081,264	10.1%	8,470,033	20.7%	-1,088,512	-6,169,776	0
1987-88	-6,169,776	13.2%	8,630,699	1.9%	-271,652	-6,441,428	0
1988-89	-6,441,428	1.9%	8,364,851	-3.1%	150,523	-6,290,905	0
1989-90	-6,290,905	6.0%	8,329,551	-0.4%	698,524	-5,592,381	0
1990-91	-5,592,381	18.2%	8,958,585	7.6%	1,716,328	-3,876,053	0
1991-92	-3,876,053	-4.6%	9,878,850	10.3%	305,989	-3,570,064	0
1992-93	-3,570,064	17.7%	12,501,145	26.5%	-517,395	-4,087,459	0
1993-94*	-4,087,459	10.0%	12,958,380	3.7%	223,745	-3,863,714	0
1994-95*	-3,863,714	7.0%	13,674,800	5.5%	430,074	-3,433,640	0

\* Act 437 budgeted levels.

\*\* Excludes \$797,500 GPR subsidy.

\*\*\* Unsupported cash overdraft resulted despite a statutory change which broadens the value of assets by over \$1.0 million.



**Charles J. Chvala**  
**State Senator**

April 15, 1994

The Honorable Joe Leean  
Senate Chair, Joint Committee on Finance  
Room 119 South  
State Capitol  
Inter-departmental mail

Dear Senator Leean:

I would like the Joint Committee on Finance to meet in formal session to review the s. 16.515/16.505(2) request of the Department of Corrections for \$896,900 in FY 1993-1994, \$448,800 in FY 1994-95, and 3.0 FTE positions for prison industries.

Thank you.

Sincerely,

  
CHARLES J. CHVALA  
State Senator

CJC:jw

cc: Representative Barbara J. Linton  
Assembly Chair, Joint Committee on Finance

# State of Wisconsin

SENATE CHAIR  
JOE LEEAN

Room 119 South, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
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ASSEMBLY CHAIR  
BARBARA J. LINTON

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## JOINT COMMITTEE ON FINANCE

April 12, 1994

TO: JOINT COMMITTEE ON FINANCE MEMBERS

FROM: Senator Joe Leean  
Representative Barbara J. Linton  
Co-Chair, Joint Committee on Finance

Attached is a copy of a request from the Department of Administration dated April 8, 1994 pertaining to a request from the Department of Corrections.

Please review this item and notify Senator Leean's office not later than Tuesday April 26, 1994 if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need additional information.

JL:BJL:ns

Attachments

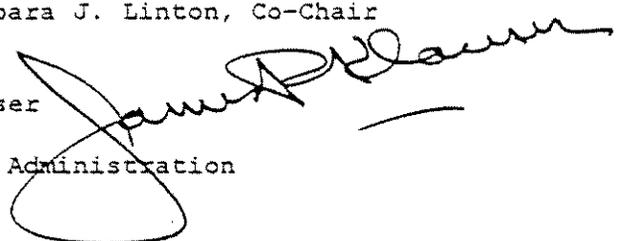
CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN  
Department of Administration

Date: Apr. 8, 1994

To: Honorable Joseph Leraan, Co-Chair  
Honorable Barbara J. Linton, Co-Chair

From: James R. Klauser  
Secretary  
Department of Administration



Subject: s. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1993-94</u>		<u>1994-95</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
D.O.C. 20.410(1) (km)	Prison Industries	\$ 896,900		\$ 448,800	3.0

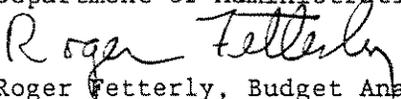
As provided in s. 16.515, this request will be approved on May 2, 1994 unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Roger Grossman at 266-1072, or the analyst who approved the request in the Division of State Executive Budget and Planning, if you have any additional questions.

Attachments:

Date: March 31, 1994

To: James R. Klauser, Secretary  
Department of Administration

From:   
Roger Wetterly, Budget Analyst  
Division of State Executive Budget and Planning

Subject: S. 16.515 Request from the Department of Corrections

REQUEST

The Department of Corrections (DOC) requests an increase in expenditure authority of \$896,900 PR in FY94 and \$448,800 PR and 3.0 PR FTE positions in FY95 in appropriation 20.410(1)(km), Prison Industries, to cover the cost of compensation, raw material, manufactured parts, supplies and services and capital equipment to meet market demand for orders from Badger State Industries (BSI).

BACKGROUND

BSI is a group of 12 separate industries or centers located in Wisconsin prisons to provide productive work activities, reduce inmate idleness and provide products or services to state and local agencies and non-profit organizations. Over 440 inmates are employed by industries and are paid wages from the income generated by BSI. BSI employs 73 FTE program revenue positions to manage and supervise the business and manufacturing activities of BSI.

1993 Wisconsin Act 16 provided the following budget for BSI:

	<u>FY94</u>	<u>FY95</u>
Permanent salary	\$1,830,800	\$1,846,000
Turnover	-57,900	-58,600
Project position salary	18,700	25,000
Fringe	679,600	687,400
Supplies & services	9,277,200	9,543,000
Permanent property	180,000	180,000
Unallotted reserve	365,200	370,200
One-time financing	11,700	
Variable nonfood	50,000	50,000
Internal services	600	400
Rent	<u>116,100</u>	<u>117,300</u>
Total	\$12,472,000	\$12,760,700

This level of expenditure was supported by a revenue projection of \$12,880,000 PR in FY94 and \$13,884,000 PR in FY95. It should be noted

that approximately 75% of the BSI budget is consumed by supplies and services which provide the raw material and manufactured components for BSI products and services.

Based on a reestimate of the level of BSI business activity, the Governor recommended an appropriation increase of \$1,175,200 PR in FY94 and \$1,362,900 PR and 3.0 PR FTE positions in FY95 in the 1993-95 Budget Adjustment Bill (SB690).

The Legislature amended SB690 by reducing the increase in expenditure authority to \$278,300 PR in FY94 and \$787,400 PR in FY95 and deleting the 3.0 PR FTE positions requested. A suggestion was made at the Joint Committee on Finance that a request under s.16.505/515 with additional justification be submitted if additional expenditure authority is needed.

#### ANALYSIS

The following table identifies the specific expenditure increases DOC is requesting for BSI operations:

	<u>FY94</u>	<u>FY95</u>
Permanent salary		\$60,900
Turnover		-1,200
LTE salary	258,600	100,400
Fringe	19,800	29,800
Supplies & services	516,500	108,900
Permanent property	<u>102,000</u>	<u>150,000</u>
Total	\$896,900	\$448,800
Positions		3.00

DOC is making this request for the following reasons:

- A large amount of materials and manufactured components need to be ordered in FY94 to start manufacturing for at least 7 projects valued at \$3,950,000 which are scheduled for completion in FY95. A similar need exists for projects scheduled for FY96.
- Major capital purchases are needed for furniture manufacturing, printing, textile production and expansion of the distribution center storage facility.
- Due to a 36% increase in sales over the past 2 years, there is a need for 3.0 FTE permanent staff to replace limited term employees in administration and operational services as follows:

**Financial Specialist.** This permanent position is requested to pick up additional workload in accounts payable and insure that prompt payment requirements are met. Additionally, this position would provide separation of duties in accounting as advised in a Legislative Audit Bureau (LAB) audit.

**Financial Specialist.** This permanent position is requested for

order entry to meet the workload of over 12,000 orders and invoices yearly. The LAB advised DOC to separate the duties between processing orders and preparing invoices.

**Program assistant.** This permanent position is requested to meet workload increases in personnel administration, mail processing, reception, typing bid documents, and backup assistance in purchasing, accounts receivable and sales.

- These functions fulfill a continuing need and should be permanent positions rather than limited term employees which turn over every 6 months or less and adversely affect the productivity and efficiency of BSI.
- Additionally, BSI does not have an LTE line in its budget. In order to meet customer demand, funds have been reallocated from other budget lines to fund 7 LTE positions directly involved in manufacturing or delivery of services. This request addresses that need.

Since July 1, 1988, BSI experienced the following revenues, expenditures and profit margins on a cash accounting basis:

	<u>Revenue</u>	<u>% Change</u>	<u>Expenditures</u>	<u>% Change</u>	<u>Profit</u>	<u>margin</u>
FY89	\$8,515,374		\$8,364,851		\$150,523	2%
FY90	9,028,075	6%	8,329,551	0%	698,524	8%
FY91	10,674,913	18%	8,958,585	8%	1,716,328	16%
FY92	10,184,839	-5%	9,878,850	10%	305,989	3%
FY93	11,893,750	18%	12,501,145	27%	-517,395	-4%
Annual average		9%		11%		6%
Projections:						
FY94	14,000,000	17%	13,729,180	10%	270,820	2%
FY95	\$14,300,000	2%	\$14,123,600	3%	\$176,400	1%

The projections in the above table include the revenues and expenditures in this request. It is apparent that BSI has been operating successfully for the last 5 years with average annual increases of 9% and 11% annually in revenues and expenditures, respectively, and average profit margins of 6% annually. The average profit margin would be much higher if the \$2.8 million of accounts receivable held on June 30, 1993 were included on an accrual accounting basis.

The revenue projection for FY95 appears to be very conservative based on historical trends. If the expenditure request is approved, a higher profit margin should be expected, which would reduce BSI's debt to the general fund.

BSI will be adversely affected if the expenditure request is not approved. An agency that needs approximately 75% of its budget for working capital to purchase materials for its manufacturing and

service industries would be forced to curtail its operations without the capital and raw material to operate. It is likely that inmate and staff jobs would be reduced, inmate idleness would increase and unemployment compensation would be paid to laid-off staff, at least temporarily. Customer orders would be delayed for major building projects, and BSI profits and repayments to the general fund would be curtailed.

Summary of current financial condition of appropriation 20.410(1)(km)

<u>Revenue:</u>	<u>FY94</u>	<u>FY95</u>
Revenue Year-to-date 2/28/94	8,184,500	0
Revenue projected to June 30	<u>5,815,500</u>	<u>14,300,000</u>
<b>Total revenue</b>	<b>14,000,000</b>	<b>14,300,000</b>
 <u>Less Expenditures:</u>		
Debt service	126,100	126,700
Expenditures year-to-date 2/28/94	7,892,500	0
Expenditures projected to June 30 (Act 16 & SB690)	4,939,780	13,548,100
This s.16.505/515 supplemental request	<u>896,900</u>	<u>448,800</u>
<b>Total expenditures</b>	<b>13,855,280</b>	<b>14,123,600</b>
 <b>Annual operating surplus for deficit reduction</b>	 <b>\$144,720</b>	 <b>\$176,400</b>

Summary

BSI operates in a competitive marketplace. If it is to survive and perform its dual purpose of providing realistic work opportunities and wages for inmates and provide products and services to its customers without a state supported subsidy, BSI should be allowed sufficient operating resources to achieve those purposes within the limits of its ability to produce income. Projections show that funds to support this request for increased expenditure authority and the additional 3 positions will be available from the income generated by BSI.

Recommendation

Approve as requested.

Tommy G. Thompson  
Governor

Michael J. Sullivan  
Secretary



Mailing Address  
149 East Wilson Street  
Post Office Box 7925  
Madison, WI 53707-7925  
Telephone (608) 266-2471

## State of Wisconsin Department of Corrections

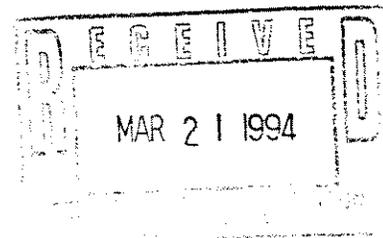
March 15, 1994

### MEMORANDUM

TO: James R. Klauser, Secretary  
Department of Administration

FROM: Michael J. Sullivan, Secretary  
Department of Corrections

RE: S.16.515/16.505(2) Request for Appropriation 20.410(1)(km) Prison Industries



The Department of Corrections requests an increase in expenditure authority of \$896,900 in FY 94 and \$448,800 in FY 95 to pay for raw materials, supplies and services, salaries and capital equipment to meet the needs of current and anticipated orders. Additionally, three PRO positions are requested in FY 95 to meet workload increases.

### Background

1993 Wisconsin Act 16 provided expenditure authority for Prison Industries in the amount of \$12,472,000 in FY 94 and \$12,760,700 in FY 95. The budget was based on projected revenues of \$12,880,000 in FY 94 and \$13,884,000 in FY 95.

The Governor's Budget Adjustment Bill (SB749/AB1180) requested increased expenditure authority of \$1,175,200 in FY 94 and \$1,362,900 in FY 95 for total expenditure authority of \$13,647,200 in FY 94 and \$14,123,600 in FY 95. This request was based on projected cash revenues of \$14,000,000 in FY 94 and \$14,300,000 in FY 95. The increased expenditure authority was requested to pay for three additional PRO positions, LTE salaries, fringe benefits, raw materials and manufactured components, supplies and services and capital equipment.

The Legislature amended the Governor's budget, increasing expenditure authority by \$278,300 in FY 94 and \$787,400 in FY 95, providing a total expenditure authority of \$12,750,300 in FY 94 and \$13,548,100 in FY 95. The increased expenditure authority was based on cash revenue projections of \$13.2 million in FY 94 and \$14.1 million in FY 95. The Legislature denied the request for additional PRO positions and provided reduced funding for supplies and services in FY 94 and LTE salaries, supplies and services and capital equipment in FY 95.

An expenditure carryover of \$81,980 for capital equipment purchases increased the available expenditure authority in FY 94. All expenditure and revenue projections in this document account for the encumbrance carryover in FY 94. Resultant expenditure authority is \$12,832,280 in FY 94 and \$13,548,100 for FY 95.

Prison Industries revenues must cover expenditures in both s. 20.410(1)(km), Prison Industries and s. 20.410(1)(ko), identified in this document as debt service. Expenditure authority for debt service is \$126,100 in FY 94 and \$126,700 in FY 95. The debt service expenditure authority is not affected by this request.

Actual expenditures for FY 94 through February 28, 1994 have been \$7,892,500. As shown on Attachment #1, actual plus planned spending for the remainder of the current fiscal year (excluding debt service) will result in total expenditures of \$13,729,180. Projected FY 95 expenditures are \$13,996,900 (excluding debt service). The FY 95 expenditure projection is a very conservative estimate which reflects less than a 3% increase over FY 94. The expenditure projections will exceed the expenditure authority authorized by the Legislature in the Budget Adjustment Bill by \$896,900 in FY 94 and \$448,800 in FY 95.

Included in the expenditure projections for the remainder of the fiscal year are materials and manufactured components purchased from secondary suppliers which are necessary to complete a number of the large building projects listed on Attachment #2. Total materials and supplies for just these projects are approximately \$2.3 million. Many of these materials must be purchased in FY 94 to meet scheduled installation or delivery dates. Of the \$13,729,180 projected expenditures, \$2 million is needed for these projects. The remaining \$300,000 needed to complete these projects reflects raw materials that are either in inventory or will be purchased in FY 95.

As of June 30, 1989 the accumulated cash deficit for Prison Industries was \$6,290,905. As of June 30, 1993 the accumulated cash deficit was \$4,087,459. With total revenues of \$41,871,577 during those four fiscal years and total expenditures of \$39,668,131, this represents a total profit and deficit reduction of \$2,203,446.

Through February 28, 1994, cash received from sales was \$8,184,500 measured against expenditures of \$7,892,500 through that same date. At that point, Industries had a positive cash flow of \$292,000 for this fiscal year.

Cash received from March 1, 1994 through March 9, 1994 was \$653,400 bringing total cash received for FY 94 to \$8,837,900. Cash receipts, however, are only part of the revenue figure. Accounts receivable due to Industries and open orders (orders received but not billed) are an important element in measuring total revenues. As of March 9, 1994, accounts receivable were \$1.8 million and open orders amounted to \$2.5 million. Total cash revenues, accounts receivable and open orders total \$13.1 million. The total cash revenues received by June 30, 1994 are projected to be \$14 million, while the accounts receivables are projected to be \$1.2 million. This results in total revenues received and due for FY 94 of \$15.2 million.

Program Need/Impact

Working capital is essential for the successful operation of a business. To meet the projected revenue figures and to meet the timelines of the previously identified major projects, it is necessary to receive approval of the requested expenditure authority. Failure to approve the request may increase inmate idleness and impact on the efficiency of Badger State Industries' operation. Reduced efficiency of the operation could lower the profit margin and jeopardize our ability to reduce the outstanding debt to the general fund.

Summary of Appropriation s. 20.410.(l)(km) and Institutional Operations and Charges and s. 20.410(l)(ko), Debt Service:

The following is a fund condition statement for appropriation s. 20.410(l)(km), including the additional expenditures in this request. Sufficient program revenue is available to fund the requested increase in expenditures. However, current expenditure authority needs to be increased to accommodate this request.

<u>Revenue:</u>	<u>FY 94</u>	<u>FY 95</u>
Revenue Year-To-Date 2/28/94	\$8,184,500	\$14,300,000
Revenue Projected to June 30	<u>\$5,815,500</u>	<u>\$14,300,000</u>
Total Revenue	\$14,000,000	\$14,300,000
<u>Less Expenditures:</u>		
Debt Service	\$126,100	\$126,700
Expenditures Year-To-Date 2/28/94	\$7,892,500	\$0
Expenditures Projected to June 30	<u>\$5,836,680</u>	<u>\$13,996,900</u>
Total Expenditures	\$13,855,280	\$14,123,600
Program Revenue Balance Available for Deficit Reduction, June 30	\$144,720	\$176,400
Beginning Cash Balance	<u>-\$4,087,459</u>	<u>-\$3,816,639</u>
Projected Cash Balance	-\$3,942,739	-\$3,640,239

Expenditure Authority:

Act 16	\$12,472,000	\$12,760,700
Budget Adjustment Bill	\$278,300	\$787,400
Encumbrance from prior year	\$81,980	
Total Expenditure Authority-20.410(l)(km)	\$12,832,280	\$13,548,100
Total Expenditure Authority-20.410(l)(ko)	\$126,100	\$126,700
Total Expenditure Authority	\$12,958,380	\$13,674,800
Total Expenditures	\$13,855,280	\$14,123,600
Total Expenditure Authority	\$12,958,380	\$13,674,800
Additional Expenditure Authority Requested	\$896,900	\$448,800

Summary

DOC is requesting an increase in expenditure authority for appropriation 20.410(1)(km) in the amount of \$896,900 in 1993-94 and \$448,800 and 3.00 PRO FTE in 1994-95. The specific expenditure items and dollar amounts requested are:

	<u>1993-94</u>	<u>1994-95</u>
Permanent Salary	\$	\$ 60,900
Turnover		(1,200)
LTE Salaries	258,600	100,400
Fringe	19,800	29,800
Sup. & Serv.	516,500	108,900
Permanent Property	<u>102,000</u>	<u>150,000</u>
Total Costs	\$896,900	\$448,800
Classified Positions		3.00

The three positions requested are to replace three long-term limited term positions in administrative and operational services. One Financial Specialist is needed to maintain the bill paying process and to comply with prompt payment requirements. From FY 92 to FY 94 sales will have increased from \$10.5 million to \$14.3 million, a 36% increase. Industries has realized a like increase in ordering of materials and services, which require the payment of bills. Currently, 7,000 vouchers are being processed annually. One permanent position is assigned to this function which not only cannot meet the workload, but also cannot provide the required separation of duties required by a recent audit by the Legislative Audit Bureau.

The second Financial Specialist also replaces a long-term LTE in Order Entry. As business has increased so have the number of orders. One permanent staff member is allocated to process and verify over 6,000 orders. Completed orders must then be invoiced. This results in 12,000 transactions each year. A recent audit by the Legislative Audit Bureau required a separation of duties between processing orders and preparing invoices.

An additional program assistant is needed in operations because of increased activities such as receiving phone calls, processing mail, recording checks received, assisting in personnel activities, typing bid documents and assisting with temporary workload increases in purchasing, accounts receivable and sales.

Although the 3.00 FTE are needed to meet immediate workload needs, the timing of this request necessitates that the 3.00 FTE be requested in FY 95.

Prison Industries does not have a budget for limited term employees. In the past, LTE funds have been transferred out of permanent salaries created by delayed hiring and out of supplies and services by reducing raw material purchases. This is no longer a viable option as all of the remaining funding for raw materials and manufactured component parts is needed to meet current or anticipated orders. \$20,300 of the FY 94 LTE salary request will be used to staff the 3.00 PRO FTE positions that are not requested until FY 95. The remaining FY 94 and FY 95 LTE salary dollars reflect one<sup>1</sup> position that is working with the metal furniture industry at the Waupun Correctional Institution, one<sup>2</sup> position working as a truck driver used for deliveries, one<sup>3</sup> position that is working with the laundry and textiles industry at Green Bay Correctional Institution, two positions that work as installers for systems furniture, one<sup>4</sup> position that is working as a cad operator in design and one position that is working with the rec industry at Sanger Powers Correctional Center.

In the current fiscal year, Industries has a budget of \$180,000 for permanent property. This amount is insufficient to replace worn-out equipment, replace trucks or purchase new equipment to improve operations. Replacing one press or one laundry washer can cost more than \$50,000 alone. For the past several years funds have been transferred from other accounts to fund critical capital needs. Additionally, FY 94 includes an encumbrance carryover of \$81,980 for capital equipment purchases. The additional permanent property requested for FY 94 will be used to purchase the following items:

Metal Furniture Shear	\$ 12,000
Metal Furniture Tooling	2,000
Metal Furniture Punch Press	55,000
TCI Screen Stretcher	3,000
Wood Furniture Sander	<u>30,000</u>
Total	\$102,000

Most of the requested items are replacing obsolete, or technologically outdated pieces of equipment which require constant repair. In some cases replacement parts are no longer available. The Budget Adjustment Bill increased Industries' permanent property budget to \$250,000 in FY 95. Additional capital included on this request will be used for the following:

- Complete Green Bay Textiles Remodeling	\$ 15,000
- Expand Industries Distribution Center (Currently paying \$30,000 per year to lease storage)	\$135,000
Total	<u>\$150,000</u>

The supplies and services increase in FY 94 will be used to purchase aluminum for signs and license plates, sheeting for plates and validation stickers and part of the raw materials for systems furniture for the new Agriculture Building due to open in the fall of 1994 and systems furniture for the Public Service Commission Building which is scheduled to be installed on August 1, 1994.

ACTUAL AND PROJECTED  
EXPENDITURES  
FOR FY 94 AND FY 95

CATEGORY	ACTUAL EXPENDITURES THRU 2/28/94	PROJECTED EXPENDITURES 3/1/94 THRU 6/30/94	PROJECTED EXPENDITURES FOR FY 94	PROJECTED EXPENDITURES FOR FY 95
1. PERMANENT/PROJECT SALARIES	\$1,166,577	\$709,623	\$1,876,200	\$1,872,100
2. LTE SALARIES	\$175,831	\$90,969	\$266,800	\$133,900
3. FRINGE BENEFITS	\$427,830	\$272,890	\$700,720	\$719,700
4. TOTAL SALARIES/BENEFITS	\$1,770,238	\$1,073,482	\$2,843,720	\$2,725,700
5. INMATE WAGES	\$445,951	\$193,449	\$639,400	\$700,000
6. RENT AND UTILITIES	\$384,966	\$270,034	\$655,000	\$680,000
7. PERMANENT PROPERTY	\$183,633	\$192,047	\$375,680	\$400,000
8. RAW MATERIALS	\$4,449,874	\$3,431,126	\$7,881,000	\$8,203,200
9. OTHER SUPPLIES/SERVICES	\$657,801	\$676,579	\$1,334,380	\$1,288,000
10. TOTAL NON-SALARY	\$6,122,225	\$4,763,235	\$10,885,460	\$11,271,200
11. TOTAL APP. 134 EXPEND.	\$7,892,463	\$5,836,717	\$13,729,180	\$13,996,900
12. SPENDING AUTHORITY (WIS. ACT 16)			\$12,472,000	\$12,760,700
13. SPENDING AUTHORITY (PER SB 749)			\$12,750,300	\$13,548,100
14. EXPENDITURE CARRYOVER FY 94			\$81,980	
15. TOTAL FY 94 APPRO. 134 EXPENDITURE AUTHORITY			\$12,832,280	\$13,548,100
16. DIFFERENCE BETWEEN EXPEND. AUTHORITY AND EXPEND. PROJ.			\$896,900	\$448,800
17. DEBT SERVICE-APPR. 129			\$126,100	\$126,700
18. TOTAL EXPENDITURES			\$13,855,280	\$14,123,600

## ATTACHMENT #2

## MAJOR INDUSTRY PROJECTS IN CONSTRUCTION DURING 1994

CUSTOMER PRODUCT	MATERIALS ORDERED	MANUFACTURE BEGINS	INSTALLATION /DELIVERY	ESTIMATED DOLLARS	STATUS
UW - Systems Bldg. Systems Furniture	03/07/94	04/11/94	06/01/94	\$630,000	Purchase Order Received
Agriculture Bldg. Systems Furniture	05/01/94	06/01/94	09/01/94	\$1,000,000	In Planning
Hill Farms DOT 6th Floor Systems Furniture	04/01/94	05/01/94	07/01/94	\$500,000	Purchase Order Received
Dodge Correctional 500 Beds 350 Desk Units Wardrobes	03/15/94	04/01/94	09/01/94	\$500,000	Purchase Order Due by 3/15/94
Public Service Commission Systems Furniture	04/15/94	05/15/94	08/01/94	\$400,000	Design Begins 3/15/94
State Office Eau Claire Systems Furniture	05/01/94	06/01/94	09/01/94	\$800,000	In Design
Dane County Jail 480 Beds 200 Lockers Signs	03/04/94	04/01/94	06/01/94 to 08/01/94	\$120,000	Purchase Order for Signs Received on 03/02/94; Remainin by 03/10/94
			TOTAL	<u>\$3,950,000</u>	

\* About \$2.3 million are materials cost